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SENATE BILL 5416

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State of Washington

59th Legislature

2005 Regular Session

By Senators Kohl-Welles, Prentice, Rockefeller, Fairley, Regala and Kline

Read first time 01/24/2005. Referred to Committee on Government Operations & Elections.

1 AN ACT Relating to tax preferences; and amending RCW 43.136.030,  
2 43.136.040, and 43.136.050.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.136.030 and 1982 1st ex.s. c 35 s 41 are each  
5 amended to read as follows:

6 (1) The joint legislative audit and review committee shall annually  
7 review four tax preferences selected from chapters 82.60, 82.61, 82.62,  
8 and 82.63 RCW. In selecting the four tax preferences for annual  
9 review, the joint legislative audit and review committee will consult  
10 with the department of revenue concerning availability of relevant  
11 information needed for review purposes.

12 (2) The joint legislative ((budget)) audit and review committee  
13 shall review each selected tax preference for termination by the  
14 processes provided in this chapter. The review shall be completed and  
15 a report prepared on or before June 30th of the year prior to the date  
16 established for termination.

17 (3) Upon completion of its report, the joint legislative ((budget))  
18 audit and review committee shall transmit copies of the report to the  
19 department of revenue. The department of revenue may then conduct its

1 own review of the tax preference scheduled for termination and shall  
2 prepare a report on or before September 30th of the year prior to the  
3 date established for termination. Upon completion of its report the  
4 department of revenue shall transmit copies of its report to the joint  
5 legislative ~~((budget))~~ audit and review committee. The joint  
6 legislative ~~((budget))~~ audit and review committee shall prepare a final  
7 report that includes the reports of both the department of revenue and  
8 the joint legislative ~~((budget))~~ audit and review committee. The joint  
9 legislative ~~((budget))~~ audit and review committee and the department of  
10 revenue shall, upon request, make available to each other all working  
11 papers, studies, and other documents which relate to reports required  
12 under this section. The joint legislative ~~((budget))~~ audit and review  
13 committee shall transmit the final report to all members of the  
14 legislature, to the governor, and to the state library.

15 **Sec. 2.** RCW 43.136.040 and 1982 1st ex.s. c 35 s 42 are each  
16 amended to read as follows:

17 (1) In reviewing a tax preference, the joint legislative ~~((budget))~~  
18 audit and review committee shall develop information needed by the  
19 legislature to determine if the tax preference should be terminated as  
20 scheduled, modified, or reestablished without modification. The joint  
21 legislative ~~((budget))~~ audit and review committee shall consider, but  
22 not be limited to, the following factors in the review.

23 ~~((+1))~~ (a) The persons or organizations whose state tax  
24 liabilities are directly affected by the tax preference.

25 ~~((+2))~~ (b) Legislative objectives, including business development,  
26 business expansion and job creation, and emphasizing the creation of  
27 higher wage jobs and growth in state and local revenue due to the tax  
28 preference, that might provide a justification for the tax preference.

29 ~~((+3))~~ (c) Evidence that the existence of the tax preference has  
30 contributed to the achievement of any of the objectives identified in  
31 ~~((subsection-(2)))~~ (b) of this subsection.

32 ~~((+4))~~ (d) The extent to which continuation of the tax preference  
33 beyond its scheduled termination date might contribute to any of the  
34 objectives identified in ~~((subsection-(2)))~~ (b) of this subsection.

35 ~~((+5))~~ (e) Fiscal impacts of the tax preference, including past  
36 impacts and expected future impacts if it is not terminated as  
37 scheduled.

1        ~~((6))~~ (f) The extent to which termination of the tax preference  
2 would affect the distribution of liability for payment of state taxes.  
3        (2) As part of this audit, the joint legislative audit and review  
4 committee shall recommend to the legislature disclosure and  
5 accountability standards for future review of a tax preference.

6        **Sec. 3.** RCW 43.136.050 and 1982 1st ex.s. c 35 s 43 are each  
7 amended to read as follows:

8        (1) Following receipt of the final report from the joint  
9 legislative ~~((budget))~~ audit and review committee, the ~~((ways and~~  
10 ~~means))~~ fiscal committees of the house of representatives and the  
11 senate shall jointly hold a public hearing to consider the final report  
12 and any related data. The committees shall also receive testimony from  
13 the governor, or the governor's designee, and other interested parties,  
14 including the general public.

15        (2) Following the joint hearing, the committees may separately hold  
16 additional meetings or hearings to come to a final determination as to  
17 whether a continuation, modification, or termination of a tax  
18 preference is in the public interest. If a committee determines that  
19 a tax preference should be continued or modified, it shall make the  
20 determination as a bill. No more than one tax preference shall be  
21 reestablished or modified in any one bill.

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